



The 2012 State of the University Address: Balances **President Eric W. Kaler, March 1, 2012**

(As prepared for delivery)

I want to talk with you today about balances.

Not only the balances on the books, or in our labs, but also about the balances we strike for the University as we move forward in a challenging time.

About public support balancing the tuition support provided by students and families. About training for a job balancing being educated for a life of learning. About balancing our research mission and our educational goals. About balancing our rich heritage and tradition with a need to respond in new ways to global challenges. About balancing the future we desire with the needs of paying for it now. About balancing our commitment to Minnesota with our responsibility to the world.

And perhaps most importantly, about the balance of risk and reward.

I chose this theme after eight months of crossing this state and our campuses, and after meeting and listening to hundreds, if not thousands, of people. Of course, among those stakeholders I've met, listened to, and learned from the most are you: our exceptional faculty, our tireless staff, and our inspiring students of this great University.

One of my favorite regular outings each week is to visit a department on our Twin Cities campus and to see all the great work being done from the labs of AHC to the design studios in St. Paul.



Since last July, some of my most exhilarating days have been on visits to our statewide campuses, coming to understand the special and distinct work conducted there.

I've seen and heard of the life-changing research you do, the energizing teaching you offer, and I've come to know the spectacular promise of our students. They are why we are here.

Wherever I go, I tell stories about our dance and physics students, our Ag and Ph.D. students, stories that confirm how great of an institution of higher education we are all together.

Now, of course, the pushes and pulls on our great institution are many. But I have found that most Minnesotans love their university and want it to do well.

Still, our role as a public, land-grant research university is not clear to many. Many support our drive to excellence, but not if it means that their student can't get into the U. Many value what we provide to our rural towns and agricultural economy in greater Minnesota, but feel we should do more. Many understand that higher education is the broadest and best-paved road we have to a prosperous life, but, frankly, aren't sure we are a good value.

Those and other balances reflect where we are today. They are the consequences of past decisions. But to me, they are also the initial conditions on which we will build our future.

What we do from here is, mostly, up to *us*.

Acknowledgements

Board of Regents Chair Cohen, Regents Beeson, Brod, Hung, McMillan, Ramirez, and Simmons: Thank you all for honoring me with your presence. Honored public and elected officials, thank you for being here and for your commitment to higher education and this



University. To those of you listening and watching in Crookston, Duluth, Morris, Rochester, and online: Thank you all for joining me today.

I want to first acknowledge and officially welcome new members of my team. We recruited Provost Karen Hanson from another Big Ten institution. She is a philosopher who balances the natural leanings of a chemical engineer. We have a new chief information officer, Scott Studham; a new government relations leader, Jason Rohloff; and a new chief communications officer, Diana Harvey.

By my first anniversary, I expect we also will have new leadership for our Crookston campus, for our Office of Equity and Diversity, for University Services, for the Carlson School and the School of Dentistry, and for intercollegiate athletics on the Twin Cities campus.

All of this new blood means the balance of having to say good-bye to friends, coworkers and leaders. Please join me in thanking Chancellor Chuck Casey, Joel Maturi, Kathleen O'Brien, Donna Peterson, and Tom Sullivan for their combined 97 years of service.

Statewide campuses

I frequently say that my goal for our University is to be in the conversation about the great American public universities—such as Berkeley and Michigan, Virginia and UCLA. We are fortunate that in many areas our achievements far exceed our reputation—perhaps a reflection of Minnesotans' reluctance to brag.

I like to tell people that if Texans lived here, this would be known as the land of 30,000 lakes!

But, thankfully, we are Minnesota, where our statewide campuses offer tremendous opportunities for liberal education, sustainability studies, new ways of learning in the health



sciences, and innovations in e- and distance learning. This is where our campuses address critical issues facing the state, such as the future of our mining industry and the health of our great lakes.

But advancing what we do on all of our campuses, and changing how we are known, require us to focus our resources and develop new ways of teaching and learning, new avenues of research, and new kinds of public engagement.

And I do want to emphasize: *new* ways!

Budget decisions

Let me describe these new directions by reminding you of one of the first things I did as president. Last summer, following the government shutdown and special session, the University received an additional \$25 million, and I had to decide how to allocate it. That money went largely into four areas.

First, we allocated \$4.1 million for undergraduate aid to reduce tuition for in-state students this semester, and we reduced the planned tuition increase for fall 2012 from 5 percent to 3.5 percent for Minnesota resident undergraduates.

Second, we allocated funds to critical needs in the current year, primarily to offset large cuts to medical education funding, and to hire additional faculty.

Third, we reserved some funds in case our economic situation worsened in fiscal year 2013.



And fourth, we allocated funds to support 150 doctoral dissertation fellowships per year for three years, a 40 percent increase over previous years. These fellowships are competitively awarded to allow our best students to finish their graduate work in a timely way.

What does such a fellowship do? Here's just one example. A fellowship allowed Candance Doerr-Stevens, a Ph.D. student in our College of Education and Human Development, to devote herself full-time to an innovative project analyzing how high school students use digital media to learn. If not for her \$22,500 fellowship—and the tuition and health care benefits we provide our graduate students—Candance, a mother of two, would have needed another year to complete her dissertation.

She says the fellowship allowed her to be “in the trenches” with teachers and students. It allowed her, she said, “to walk through an intellectual garden,” unencumbered with other responsibilities.

Fellowships are a critical and effective way we invest in the next generation of scholars, teachers, and citizens who will mold the future. Candance, as a representative of the value of doctoral research at the University of Minnesota, please rise so we can acknowledge your important work.

The budget ahead

Now, many people think the best way to understand where an institution is headed is to look at the strategic plan. I say: Look at the budget.

If you look at those budget decisions from last summer, you will see my goals for the institution clearly reflected: holding the line on tuition increases to keep the University affordable,



rebuilding our excellent faculty, investing in bold scholarship, and maintaining a prudent budget structure.

I think that's a pretty robust framework. Our budget for fiscal year 2013 is still taking shape, but there are some noteworthy features that are a window to my priorities. This is an outline of what I will recommend to the Board of Regents in May.

First, the increase in the cost pools is zero percent. Zero. Our budget is built using the idea of cost pools, which pay for services and administration. And, except for salary raises and student aid, in my budget the increase in the cost pools for fiscal year 2013 is zero. I pledged to hold the line on administrative costs, and this budget does that.

Second, we have budgeted a 2.5 percent compensation increase for all employees. This follows three years of salary freezes or modest increase and furloughs, and an increased burden of health care costs. This rewards all of you who have carried us through some very difficult budgets.

To our staff and faculty: Thank you very much for your hard work and your sacrifices. Thank you for understanding the effects state cutbacks have had on our operations. Thank you.

And third, in our 2013 budget plan, there is a pool of about \$21 million for academic investments. This substantial pool of money will be awarded competitively through the annual compact budget process. I encourage your best ideas—and those of your deans and chancellors.

I believe this budget positions us well to move forward in exciting and productive ways, and reflects a prudent balance. To be clear: The state budget continues to be strained and this may affect our support in the future. But we cannot afford to put our aspirations on hold indefinitely. We will move forward, making responsible hires and rewarding our people now.



Tuition and debt

I'd like to turn now to tuition and student and family debt—critical issues that are directly tied to state support. Simply put, as the State of Minnesota's investment in the University has declined, our need for tuition dollars to replace part of that state support has increased.

We are working every day to tell our story. I have testified six times at the Capitol in the past month. I have met face-to-face with nearly 100 of our 201 state legislators. We are activating our 21,000-person-strong grassroots network.

But the fantasy that the University could somehow advance its mission and hold the line on tuition as state support dwindles is just that: a fantasy.

For students and families of limited means, tuition increases can drive a painful increase in student debt. About a third of our undergraduate students graduate debt-free. But the average debt of the other two-thirds of our undergraduates system-wide exceeds \$27,000.

If you graduate and quickly get a job earning, say, \$50,000, that debt level of \$300 a month may be manageable. But it can be a real challenge under many other circumstances. For instance, if your debt causes you to drop out, or extends your time to graduate, or if you simply can't find a job after graduation, those are serious challenges.

With his State of the Union address, President Obama started a national conversation. It is very important to remember all of what he said and I quote: "We can't just keep subsidizing skyrocketing tuition; we'll run out of money. States also need to do their part, by making higher education a higher priority in their budgets. And colleges and universities have to do their part by working to keep costs down."



We will do our part—but remember those words: “States also need to do their part.” My hope is that the State of Minnesota will engage us in the important work we do at a level that minimizes or eliminates tuition increases. But it is not enough to work for—or simply hope—that the state will invest in its future with us. We must chart our own future. We must reduce costs, eliminate course and program duplication, improve learning outcomes, and be efficient and effective in all that we do.

We must achieve excellence in our operations.

Operational Excellence

Operational Excellence isn’t a buzzword, or a project, or an initiative. Think of it as a long-term commitment to work smarter, reduce costs, enhance services, and generate new sources of revenue. It, too, is about balancing competing interests and goals. It is about innovation and operating differently, not simply about cutting costs. It is about fundamentally changing the culture of this University, and how we manage change.

Culture change is not easy, and it is not fast. But we absolutely have to move to a more nimble and responsive way of doing our administrative work, and we have to do it at a lower cost. It is about increasing our effectiveness even as we become more efficient.

When I started—Oh, those long eight months ago!—I committed myself to reimagining how we operate and function. A group of senior leaders has been meeting since September. We’ve added a staff work group to help drive innovation and change. In December, a first round of listening sessions was held with diverse faculty and staff from across the institution.

Four main themes emerged. First, we are too risk averse and too regulatory, more mired in saying “no” than in finding ways to say “yes.” Second, we can do more to unleash



entrepreneurialism and innovation. Third, we can improve our change management and problem-solving skills. And lastly, consultation is important, but we can overdo it.

I've charged each senior leader to implement a risk recalibration initiative in their respective area. This work is aimed squarely at addressing the University's risk-averse culture by eliminating, or rethinking, unnecessary or redundant policies and procedures.

In the Office of the Vice President for Research, this work has already streamlined procedures in areas ranging from technology transfer to grant administration to compliance. One example: our first-in-the-nation Minnesota Innovation Partnerships, or MN-IP. It will more swiftly and thoughtfully move our University discoveries and intellectual property to the marketplace by cutting out unnecessary negotiations.

There are a myriad of other changes that we will introduce as quickly as possible with the goal of reducing workloads and getting bureaucracy out of the way. We have to do this because we need to eliminate ESP in our organization. ESP stands for "Extremely Stupid Procedures." We need to eliminate them. We need to work smart.

Here is one example of a change that makes sense. When we purchase equipment, our policy has been to capitalize anything valued at \$2,500 or more. When you capitalize equipment you do get the financial value of depreciation, but it also means you have to track and inventory that piece of equipment.

Right now, we track 69,000 items per year.

So, with the leadership of our operational excellence team, we have decided to increase the equipment capitalization threshold from \$2,500 to \$5,000. This will reduce the number of items we "count" by 31 percent. That means more than 20,000 things will no longer have to be



inventoried and tracked. Hundreds and hundreds of people hours can be reallocated to higher and better uses. That's one good example, and a good balance of risk and reward.

We've begun another important activity that could affect many of you. It concerns academic centers and institutes. I was surprised to find out—and you may be surprised, too—that we have 265 academic centers and institutes, and they have budgets totaling more than \$200 million annually.

I have directed all of our deans to look at and examine the mission centrality, value, and scope of each of these centers and institutes. Administrative centers will also be examined. We may find that some, and maybe even most, remain valuable and relevant, but I'm willing to bet others are not.

Excellence also means aligning our strategies with economic realities. That is another component of balancing change. For example, given the uncertain economic environment for residential development, the UMore Park LLC board decided that we are going to focus in the near term on economic development activities that will add value to the property. While we remain committed to the long-term goals, we will use this time to further develop a plan to mitigate the impacts of gravel mining and other development activities on faculty research at UMore.

It is important to note that everyone has a role in identifying and implementing new ways to work smarter, reduce costs, enhance services, and generate revenues. Local solutions are as important as system-wide initiatives, and we must get better at scaling those that work.

I want to re-envision the fundamental role of administration from one of enforcer to one of partner and facilitator, so that we can help units across the institution rethink how they work, what they do, and how we solve shared problems. Together.



Initiatives: teaching and learning

Let me now turn to new initiatives. I'll start with our educational mission. I am asking today for faculty, staff, and governance to engage with me in two ways. First, I want all of our campuses to be leaders, in the state and nationally, in using technology to improve teaching and learning.

Our colleagues in Rochester and Crookston may have a head start, but I am establishing a process to request proposals from faculty on all our campuses for innovative educational initiatives that will advance teaching and learning. I want our best thoughts about how to use modern tools to enable student success, and I want to pilot those ideas, adopt what works and spread it across our campuses. I would like to see a special focus on electronic textbooks as a way to reduce costs to students. I have asked senior vice presidents Karen Hanson and Robert Jones to lead this effort.

Second, I will engage with you to define and bring to life a remarkably revised academic calendar. Specifically, building on the report from the 2011 Summer Semester Committee, I'd like to take a serious and rigorous look at moving to a year-round academic calendar. This would include three 14- or 15-week periods that—with sincere apologies to our English faculty—I am going to call semesters.

Now, I have learned that in Minnesota there are two immovable calendar events—the religious holidays in December and the secular 10-day celebration of the Minnesota State Fair. Working around them, I believe a full, three-semester calendar offers great opportunities for both students and faculty. My vision for a year-round calendar would also incorporate both an extended winter session in January.



There are significant advantages to doing our best to make this work. First, it would give more students a real chance at graduating in less than four years. On such a calendar, a full-time, year-round student could earn 120 credits in less than three years.

Second, a longer winter session would give students more opportunity to study abroad, have meaningful internship or service opportunities, or complete honors or other significant senior projects.

Third, a year-round schedule increases use of our laboratory and classroom space. Using our facilities year round reduces bottlenecks and can reduce our long-term need, and cost, for new facilities. Finally, three full semesters would increase tuition revenues annually, allowing us to hire more faculty.

Faculty would still teach two semesters a year, but could have flexibility to arrange them so that two consecutive semesters could be devoted to research. Alternatively, “B,” or nine-month faculty, might choose to teach three semesters from time to time for additional compensation.

Of course, there are big challenges, chief among them managing financial aid for students. There are also valuable programs on our campuses in the summer that would have to be accommodated. And, we’d need a transition time to move to the new model.

But I think the benefits could outweigh the challenges, and this is an idea well worth driving forward. We’ll start this conversation on the Twin Cities campus, with other campuses having the option to join as they wish.



Initiatives: research and outreach and engagement

Let's turn now to our research mission. Remember, we are the state's only public research university. I have three initiatives to move forward.

The first is consistent with my hope that this institution and its faculty will become more entrepreneurial. To enable faculty to develop and learn outside the academy, we are advancing through governance a process for tenured and tenure-track faculty to take what we're calling an "entrepreneurial leave." The leave, at zero percent salary but with full benefits, will allow faculty to work full-time with industry, start-ups, or NGOs to develop ideas or products in the marketplace.

Basically, if you have a commercial, artistic, or creative idea you'd like to explore, we will hold your place here. On its surface this looks like an opportunity mainly for those in medicine, science, or engineering. But, in fact, it offers an opportunity for every faculty member who wants to engage the commercial or non-profit sectors.

Second, to support and enable our researchers to succeed in a highly competitive environment, we need to develop and maintain a leading-edge research infrastructure, including our libraries. To accomplish this I am establishing a formal, recurring, research infrastructure funding pool. While our planning for capital building projects is robust—we engage stakeholders system-wide to develop our six-year capital improvement plan—we do not have a similar process for our research infrastructure. I am asking the vice president for research to develop a collaborative process for regularly assessing and identifying high-priority research investment needs, and I am asking the chief financial officer to establish a reliable budget line in the University's annual budget. We must budget at a level that ensures appropriate investment supporting research across all disciplines at the University.



Finally, let me address our Academic Health Center (AHC). We are confident that our partnership with Fairview will deepen and that we, together, will bring additional revenues to the AHC. The external review I announced in January is being staffed and will take place as soon as possible within the reviewers' schedules. A great Academic Health Center is central to the strength and global reputation of our University.

The third part of our mission is outreach and engagement. By this time you have probably heard my commitment to partner with key stakeholders to reduce the achievement gap—that is, those gaps in school performance between students of color and white students and between low-income students and their middle- and upper-income classmates. To remain competitive economically and socially, Minnesota must find ways to improve the academic and life-course accomplishments of all of our citizens.

This is not a simple task, and not a task that any single social institution—families, schools, our business community, non-profits or government—can do alone. But, driven by our three-part mission of teaching, research, and community engagement, bringing research and expertise to bear on significantly reducing the achievement gap is an important responsibility for this University. After all, we are the state's most powerful engine of discovery and innovation, and the best choice as the state's chief convener on such pressing issues.

I plan to devote my time to help lead this effort, and this spring I will host a “mini summit” to bring together our faculty experts to ensure their efforts across all of our communities and colleges are coordinated. We at the U must continue to strengthen the diverse human capital across our state.



Liberal arts

Before closing, let me discuss with you a pressing issue that must concern us all. That is the need to balance training for a job with being educated for life. The strength of American higher education—which is still the envy of the world—is its core of the liberal arts.

When I go to the Legislature or an Ag leaders' breakfast or a Rotary club luncheon, I always promote our role as the state's only public research university. I talk about our deep and wide economic impact. But employers continually and loudly tell me that many of those jobs demand the skills of the liberal arts and humanities: writing, communicating, critical thinking and analysis, working in teams, wrestling with and solving problems.

This University is about much more than training a workforce for today—although we do a very good job at that. It is about creating the ideas and innovations, the thinkers and leaders, and the economy and culture that will ensure our success for tomorrow—and for the day after, and the day after that.

Looking to the future

Let me close by taking you back 150 years, back to 1862. We were in the midst of the Civil War. It was also the year that 38 Indian men were wrongly hanged in Minnesota—a stain on our state's history.

Amid those dark times, President Abraham Lincoln signed the Morrill Act. Senator Justin Morrill of Vermont authored the act promoting agricultural research, the mechanical arts, and access to higher education for all. We will be celebrating the sesquicentennial of the Act all year through our Land Grant 150 series of programs. I would encourage you to take part in these events.



We have here today someone who can really and truly relate to the Morrill Act. He is a graduate of UMD and is now a master's student in our College of Design on the Twin Cities campus. His name is Prescott Morrill and—believe it or not—he is the great grandnephew of Senator Morrill. Prescott, please rise so we can applaud you and your forward-looking uncle.

So, with this special and direct connection, we move forward toward the next 150 years of our land-grant mission, balancing the prosperity of this state with the economy of the flat and hyper-connected world in which we live. We move forward in a world where human suffering and hunger are far too common, where the rule of law is lacking, and where intolerance and prejudice still thrive. We move forward as one of the few institutions in the world with the scope, span of skills, and talent needed to tackle those daunting problems.

From public health to agriculture, from engineering to law, from philosophy to medicine, our great university has the ability to attack and solve the challenges facing Minnesota, the nation, and the world. That should be our calling for the future.

In that future I see no other side to consider. In that case, there is no counterbalance to our calling. As an efficient, effective, and engaged institution, this University will continue to change the world.